



TRAINING TIP OF THE WEEK

ADDRESSING REPAIRS

Often the legal hotline gets asked about ways to handle Buyer requested repairs.

EXAMPLE...

Buyer and Seller are under contract. During the Buyer's Due Diligence, the Buyer discovers that there is a small leak in the basement. Let me address just a couple of basic options that the Buyer has at this point.

1. The option of doing nothing. With this option, the Buyer remains under contract, avoids possible underwriting issues, and ultimately the Buyer will be responsible for fixing the basement leak.
2. The option of asking for a purchase price reduction. I recognize that this option only lowers the Buyer's monthly mortgage payment by a couple of dollars at best. However, this option helps the Buyer and Seller avoid possible underwriting issues that may arise should repairs be mentioned in the REPC. Additionally, the Buyer will have control over how the basement leak is fixed.
3. The option of asking for Closing costs. In asking the Seller for Closing costs in lieu of the fixing the leak, the Buyer can utilize funds previously earmarked for Closing costs and will be able to address the issue after Closing. The Buyer and Seller avoid the issue of possible underwriting issues that may arise should repairs be mentioned in the REPC. Additionally, the Buyer will have control over how the basement leak is fixed.
4. The option of asking the Seller to fix the basement leak in the REPC. If the Buyer does want this option, then the Buyer should approach the Seller first via email, text, or verbally. The Buyer and Seller (or through their REALTORS®) are free to NEGOTIATE repairs outside the REPC. However, once the Buyer and Seller agree to a resolution, that resolution MUST BE part of the REPC. Agreeing to repairs outside the REPC and failing to disclose to the Buyer's lender creates a double contract (for licensees this has licensing implications).

The UAR's Resolution of Due Diligence Addendum is a great resource to use in addressing repairs and resolving any of the Buyer's Due Diligence issues. Please note however, that no matter how clear the REPC language is regarding repairs, there is still some subjectivity to it. The Seller's notion of a completed repair may be different than the Buyer's.

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